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TAGS: [EAID](#) [ECON](#) [EFIN](#) [PREL](#) [IT](#) [IZ](#) [IRAQI](#) [FREEDOM](#)

SUBJECT: IRAQ: ITALIAN PLANS FOR TOKYO DONORS' MEETING

REF: A. SECSTATE 196084

[B.](#) ROME 2902

[C.](#) ROME 2050

[D.](#) ROME 1805

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[¶1.](#) (SBU) Summary: Italy may not be able to make its planned Euro 10 million disbursement to the International Reconstruction Fund Facility for Iraq (IRFFI) prior to the Tokyo meeting due to chronic budget difficulties. Our judgment is that this is a matter of timing, and that the 2004 pledge is not in fundamental jeopardy. The government does, however, plan to announce a new pledge to provide election-related assistance, though Italian authorities have yet to decide on a figure. When the disbursement is made, Italy will earmark much of its IRFFI pledge for United Nations Industrial Development Organization (UNIDO) projects related to cottage industry development, small-and-medium enterprise, and agro industry rehabilitation. Embassy will continue to press for disbursement at senior levels in the run-up to the Tokyo conference. We also think this issue is suitable for any high-level bilateral discussion with Italian Finance Minister Siniscalco on the margins of the up-coming Fund and Bank meetings. End summary.

[¶2.](#) (U) Econoff presented ref A points to Gianni Ghisi, Deputy Director General for Development Cooperation at the Ministry of Foreign Affairs, and Luigi Maccotta, Deputy Director of the MFA's Iraq Task Force. Ghisi will lead the Italian delegation to the Tokyo donors conference, which will also include Maccotta and perhaps one additional official from Italy's Finance Ministry. Ghisi plans to attend the G-8 head of delegation meeting on October 12. (Note: Embassy will double track these points in a meeting September 22 with Carlo Monticelli, Senior Director for G-7 and EU Affairs at the Finance Ministry, and will report any substantive response septel. End note.)

Italy Still Trying to Disburse E10 Million to IRFFI

[¶3.](#) (SBU) Ghisi said Italy has not yet managed to disburse its planned Euro 10 million (\$12.2 million) donation to the IRFFI. Many of the MFA's development assistance accounts were frozen over the summer as the Italian government debated mid-year cuts to the 2004 national budget. The MFA's aid budget has, our MFA contacts assure us, escaped any cuts this year, but the Italian Parliament and the Finance Ministry have yet to officially unfreeze the money. Ghisi and Maccotta expressed optimism that Italy would disburse the IRFFI donation prior to the Tokyo meeting, but acknowledged that there is a possibility they might miss this deadline due to further bureaucratic delays.

[¶4.](#) (SBU) (Note: The second part of Italy's 2004 Madrid pledge disbursement will come in the form of a Euro 20 million bilateral soft loan to the Interim Iraqi Government. This loan also still awaits disbursement due to budget difficulties, though Ghisi said he is confident the funds would be transferred to Iraqi authorities by the end of the year. End note.)

Italy's IRFFI Pledge To Support Cottage and Agro Industry

[¶5.](#) (U) Ghisi said Italy would earmark the bulk of its IRFFI contribution for three UNIDO projects: \$5 million for a program to develop cottage industries in southern Iraq; \$2.8 million towards the rehabilitation of a dairy plant; and \$2.8 million for a project to promote small and medium enterprises. Ghisi said Italy may also contribute Euro 200,000 to a planning survey of Iraq's agro industry reconstruction needs.

Additional Support for Elections

[¶6.](#) (U) Maccotta told Econoff Italy hopes to make an

additional donation for election support. While Maccotta said the government had yet to decide on an amount, much of the support will likely come in the form of election-related training to take place in Italy.

Delegation Will Report on Other Bilateral Assistance

17. (U) The Italian delegation also plans to present an update on additional bilateral humanitarian and reconstruction assistance beyond the IRFFI donation and the bilateral soft loan. Maccotta said he plans to report on the contribution of Italy's military contingent to reconstruction in and around Nasiriyah, including the rehabilitation of schools, hospitals, and other public facilities. Ghisi and Maccotta will also update donors on several bilateral projects, including Italy-funded programs to rebuild the Bukhme Dam, to restore marshlands, and provide Iraqi ministries with a basic "e-government" intranet system. (Note: The Euro 10 million "e-government" project (ref C) is now moving forward after several months of security-related delays. End note.)

Italy's IRFFI Contributions to Remain Steady in 2005

18. (U) Looking towards next year, Ghisi said the MFA would likely maintain a similar level of Madrid pledge disbursement's in 2005--i.e., another Euro 10 million contribution to the IRFFI plus an additional bilateral soft loan to Iraq of around Euro 20 million.

Comment

19. (SBU) Our MFA contacts are frustrated with the spending freeze and the consequent delay it has created in fulfilling Italy's pledge to the IRFFI. Given the slow speed of the Italian bureaucracy, there is a distinct chance that Italy will not make its payment prior to the Tokyo conference. In our judgment, however, the 2004 pledge is not in fundamental jeopardy. The Italians view Tokyo as an opportunity to inform other donor countries about the totality of the Italian contribution to Iraq, including the substantial reconstruction and humanitarian work undertaken by the Italian military. End comment.

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